



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

February 20, 2009

Board of Supervisors
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First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

STATUS OF STATE BUDGET DISCUSSIONS, PROPOSALS TO DEFER OR DELAY PAYMENTS TO THE COUNTY AND RECOMMENDED ACTIONS TO PREVENT OR MITIGATE SUCH IMPACTS (AGENDA ITEM S-2, MEETING OF FEBRUARY 24, 2009)

This report provides an update of State Budget discussions, the status of proposals for program payment deferrals and delays, and the County's cash position.

State Budget Discussions

As reported in today's Sacramento Update, the Legislature approved the State Budget package, which would resolve the projected budget shortfall of \$42.0 billion over a 17-month period through June 30, 2010. Today, the Governor signed the budget package and released a list of his line-item vetoes. None of the vetoes affect the County.

Administration Proposal to Defer State Payments to Counties

As previously reported, last month the Department of Finance released proposed trailer bill language to defer payments to counties for up to seven months for various programs, which would have resulted in the delay of \$1.423 billion in payments to the County. The proposal was not approved; however, the enacted State Budget package contains a provision to defer: 1) the July and August 2009 payments for certain health, mental health, and social services programs until September 2009; 2) the August 2009 payment for SB 90 mandates until October 2009; and 3) the February, March and April 2009 gasoline excise tax reimbursements until May 2009. These deferrals replace the Administration's original proposal for a seven month deferral.

"To Enrich Lives Through Effective And Caring Service"

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Based on our analysis included in today's Sacramento Update on the approved State Budget package, **we estimate that this proposal will result in payment deferrals of approximately \$448.5 million to the County.**

State Controller's February Payment Delays

With the passage of the FY 2008-09 Special Session Budget Adjustments and the FY 2009-10 Approved State Budget on February 19, 2009, the State Controller announced that upon receiving the necessary information from the Department of Finance (DOF), his office will be updating its cash flow analysis to determine how to manage State payments to local governments, contractors, and taxpayers through the end of the fiscal year. The State Controller also indicated that once the necessary cash is available in the State Treasury, his office will work to expedite processing of the delayed payments.

As reported last week, based on the information available, the Treasurer and Tax Collector advises that the only anticipated payment the County has not received for the month of February is the State's portion of the CalWORKs Program payment in the amount of \$9,432,500.

County Cash Position

We continue to closely monitor our cash position as an implementation plan for the new State Budget is developed, and our locally generated revenue falls short of earlier projections. If the State Controller is able to expedite the issuance of delayed payments, and the State resumes timely payments in March, it will relieve our earlier concern that cash obligations could accumulate over a period beyond which the County could manage.

Given what we know at this time, we expect to end the fiscal year with a positive cash balance. Hiring and expense restrictions have been enacted to mitigate against shortfalls in revenue. In March and early April, when cash reserves are typically low, we plan routine short-term internal borrowing until property tax and other revenues arrive to carry us through June. Then, on July 1, 2009, our annual Tax and Revenue Anticipation Notes will supply substantial cash reserves as we begin FY 2009-10.

We will continue to keep you informed.

WTF:GK/DL
ML:MR/EC:sb

c: Executive Officer, Board of Supervisors
County Counsel